

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF THE ADMINISTRATION OF  
THE COMMUNITY SERVICES BLOCK  
GRANT PROGRAM BY THE STATE OF  
NEW JERSEY DEPARTMENT OF  
COMMUNITY AFFAIRS**



**JUNE GIBBS BROWN  
Inspector General**

**JUNE 1997  
A-02-96-02003**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General  
Office Of Audit Services

Region II  
Jacob K. Javits Federal Building  
26 Federal Plaza  
New York, NY 10278

June 18, 1997

Our Reference: Common Identification No.: A-02-96-02003

Ms. Jane Kenny  
Commissioner, State of New Jersey  
Department of Community Affairs  
101 South Broad Street  
CN 800  
Trenton, New Jersey 08625-0800

Dear Ms. Kenny:

This report provides you with the results of our "REVIEW OF THE ADMINISTRATION OF THE COMMUNITY SERVICES BLOCK GRANT PROGRAM BY THE STATE OF NEW JERSEY, DEPARTMENT OF COMMUNITY AFFAIRS" during the period October 1, 1994 through September 30, 1995. The primary objective of the audit was to evaluate the State of New Jersey's Department of Community Affairs (DCA) administration of the Community Services Block Grant (CSBG) program. Our audit included coverage of both fiscal and programmatic aspects of the program.

Our review of fiscal matters disclosed that, in general, the State of New Jersey had established adequate fiscal controls and fund accounting procedures regarding the receipt, disbursement and accounting for Federal CSBG grant funds. We also found that the methodology used by DCA to resolve audit findings and recommendations included in its grantee audit reports was adequate. Further, we verified that DCA complied with the requirement that administrative costs be limited to five percent of its CSBG allotment and that DCA's administrative costs as well as selected costs tested at three grantees were reasonable, allocable and allowable.

However, on the programmatic side, we identified two major weaknesses in DCA's administration of the CSBG program.

First, the current methodology of distributing awards to grantees is not consistent with program requirements that CSBG grant funds are to be directed to those programs which offer the greatest opportunity for addressing poverty needs in the communities. DCA officials advised us that the amount of funds awarded to each grantee was based on historic, predetermined proportions of New Jersey's total CSBG award and that this funding method was established by DHHS at the program's inception in 1982 and has never been changed. The system merely allocates the available grant funds on the same proportional basis as has been used since the inception of the program. Because funding allocations are basically known, grantees were quite lax in preparing, maintaining or utilizing timely, competent and relevant needs assessments. In addition, DCA did not have any procedures to perform technical evaluations of the merits of the proposed projects. Accordingly, there is no incentive among grantees to improve existing programs since neither project results nor a ranking factor is used in the allocation of grant funds.

Another related programmatic weakness is that once grant funds were awarded, DCA did not have in place an effective monitoring program as provided for in the State plan. Controls over the receipt and technical evaluation of the grantee progress reports were lax and there was no organized or formal monitoring protocol in place. Few on-site monitoring visits were made and documentation for those visits was inadequate to establish the nature, scope or results of the visits. Management attributed part of the problem to a shortage of personnel to conduct on-site visits.

In the absence of a system directing grant awards to projects with the most potential for meeting program objectives and due to the lack of programmatic monitoring, we have no assurance that \$10.7 million of CSBG funds awarded during our audit period were utilized in the most effective manner possible in addressing poverty in New Jersey communities.

We recommend that DCA develop a system for allocating funding to approved programs that have the most potential for ameliorating the causes of poverty in the communities. In this manner, grantees would compete for funding rather than be assured of receiving the same funding percentage each year. We are also recommending that the DCA develop and execute an effective grantee monitoring program, including on-site monitoring visits to ensure grantees are operating the programs on a programmatically sound basis.

In their response dated May 7, 1997, DCA officials concurred with our findings and recommendations and included a statement of improvements implemented and

Page 3 - Ms. Jane Kenny

those in progress. The full text of DCA's response is included as Appendix B of this report.

The results of our review are discussed in more detail in the FINDINGS AND RECOMMENDATIONS section of this report.

## INTRODUCTION

### Background

The CSBG program, enacted as part of the Omnibus Budget Reconciliation Act of 1981 (Act), authorized the Secretary of the Department of Health and Human Services (DHHS) to provide grants to states, beginning with fiscal year (FY) 1982, for programs designed to ameliorate the causes of poverty. The CSBG program replaced particular titles of the Economic Opportunity Act of 1964 that had authorized categorical grant programs for community services administered directly by the Federal Government. Under the CSBG program, each state is required to file an annual application with the Secretary to receive a funding allotment for the FY. As part of the application, the chief executive officer of the state certifies that the state makes certain assurances regarding the use of the funds. Also, states are required to use 90 percent of their funding allotment called "set-aside" funding for eligible entities. An eligible entity is generally defined as any organization which was officially designated as a community action agency under the provisions of the Economic Opportunity Act of 1964. Shortly after the enactment of the original version of the CSBG Act, the Congress passed certain amendments which modified the definition of an eligible entity to include any limited purpose agency designated under the Economic Opportunity Act.

In New Jersey, the DCA (State agency) is designated to administer the CSBG program and was awarded approximately \$10.7 million of CSBG funds in FY 1995. Ninety percent of the award was allocated among 27 eligible entities. The remaining 10 percent was divided equally between state administrative costs and discretionary grants.

The states are given considerable discretion and flexibility in designing their programs. However, as stipulated in the Act, each state must certify that it will use CSBG funds to provide a range of services and activities having a measurable and possible major impact on the causes of poverty. Some of the CSBG program goals include the securing and retaining of meaningful employment, attainment of an adequate education, obtaining and maintaining adequate housing and living environment, and the removal of obstacles blocking achievement of self-sufficiency.

To meet the program certification provisions of the Act, DCA submits to the DHHS an annual state plan which describes the range of services and activities that would be funded under the CSBG program. The state plan is, in effect, the application for Federal funds and, upon approval, is the DHHS' basis for the CSBG

award to the state agency. It requires that services offered and their prioritized rankings be based on the results of community needs assessments as determined by the individual grantees. Further, there is a provision that the governing boards of each grantee are responsible for providing services and activities consistent with the goals and objectives of the Act and for determining funding priorities in their local communities. The DCA funds its grantees to administer services at the local level, such as, emergency assistance (food, clothing, shelter, heat, etc.), education services, food and nutrition services, housing services, outreach and referrals, job training and alcoholism services.

## **Objectives, Scope and Methodology**

Our review was performed in accordance with generally accepted government auditing standards and included such tests as were considered necessary in the circumstances. The primary objective of the audit was to evaluate the state's administration of the CSBG program. Specifically, our objectives were to evaluate DCA's method for awarding funds to grantees, its management controls to ensure that grant funds were used for intended purposes, and its procedures for measuring and monitoring the effectiveness of CSBG programs.

To accomplish our objectives, we held discussions with DCA officials and interviewed other personnel responsible for the programmatic and fiscal monitoring of grantee activities. We reviewed both programmatic and fiscal files for 9 of the 27 CSBG grantees to determine whether DCA evaluated program designs and documented that the most pressing needs of communities were based on current needs assessments. Our review also included a determination of whether DCA enforced its requirement that grantees measure the success of their programs and whether timely on-site programmatic and fiscal monitoring visits were made to evaluate the effectiveness of these programs. Additionally, we performed on-site visits to five grantees to ascertain how community needs, as reported in their FY 1995 grant applications, were determined and if program outcomes were measured.

We also reviewed the adequacy of DCA's cash management procedures as they related to the receipt of Federal CSBG funds from the DHHS's Payment Management System and the subsequent disbursement of these funds. Further, for the five grantees we selected for on-site review, we reconciled the fiscal monitoring reports to the general ledgers and performed tests to verify that CSBG cash received from DCA was disbursed on a timely basis. For three of these grantees, we reviewed selected items of costs to determine whether they were reasonable, allocable and, allowable and in accordance with the cost principles

contained in OMB Circular No. A-122, "Cost Principles for Non-Profit Organizations."

Additionally, we reviewed DCA's policies and procedures related to the resolution of audit findings and recommendations included in its grantee audit reports. Finally, we performed tests to verify that DCA is limiting its administrative costs to five percent of its CSBG allotment. The reasonableness, allocability and allowability of these costs were determined through the application of the cost principles contained in OMB Circular No. A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

Our review of the adequacy of internal controls was limited to gaining an understanding of the internal control structure related to the objectives. For both DCA and all grantees that received CSBG funding, we reviewed the results of the internal control review contained in the latest OMB Circular No. A-128 or OMB Circular No. A-133 audit reports.

We found that the items tested were in compliance with applicable laws and regulations except for the matters discussed in the FINDINGS AND RECOMMENDATIONS section of this report.

Our review covered CSBG awards and transactions made during FY 1995. Audit field work was performed at DCA's administrative offices and at selected grantees during the period February through December 1996.

## **FINDINGS AND RECOMMENDATIONS**

Our review disclosed that, in general, the state of New Jersey had established adequate fiscal controls and fund accounting procedures regarding the receipt, disbursement and accounting for Federal CSBG grant funds. We also found that the methodology used by DCA to resolve audit findings and recommendations included in its grantee audit reports to be adequate. Further, we verified that DCA is limiting its administrative costs to five percent of its CSBG allotment, as required, and that DCA's administrative costs as well as selected costs tested at three grantees were reasonable, allocable, and allowable.

However, we also determined that DCA did not evaluate CSBG grantee applications for program effectiveness. Applications were merely processed each year since grantees received the same proportional share of the state's CSBG grant award. Further, we found that, after CSBG funds had been awarded to its grantees, DCA conducted very limited and ineffective program monitoring to determine program successes or weaknesses. Consequently, there is no assurance that the grantees programs were effective or that \$10.7 million of CSBG funds awarded during our audit period were utilized in the most effective manner possible in addressing poverty in New Jersey communities as is the goal of the CSBG program.

### ***CSBG GRANT APPLICATION AND FUND DISTRIBUTION***

Although the New Jersey CSBG State Plan (State Plan) and the Act provide that DCA use CSBG funds for services and activities having a measurable impact on reducing poverty, DCA funded all FY 1995 CSBG grantee programs without assurance that these requirements were being met. The DCA did not enforce its requirement that grantees measure and report program effectiveness and accomplishments. Further, there were no established policies and procedures to evaluate and verify the content of grantee applications. The DCA merely processed applications instead of evaluating them.

We reviewed the files for nine grantees who received \$5.6 million of the total \$10.7 million FY 1995 CSBG award. The files did not contain evidence that a comprehensive evaluation of the applications was performed. They did not contain documentation showing that DCA enforced its requirement that grantees base their program goals on current needs assessments. Adequate needs assessments are essential to the process of effectively evaluating and funding grant applications and involve input from Comprehensive County Human Service Plans (CCHSP), recipients, community leaders, and other knowledgeable sources. These

assessments should provide information to assist grantees in developing programs that reduce the causes of poverty. We found that DCA did not evaluate the veracity of needs assessments included in grantee applications.

During our on-site visits to five grantees, we found that the needs assessments included in the FY 1995 applications were either unsupported, developed with outdated information, or both. The following are examples of our findings:

- ▶ One grantee supported its FY 1995 needs assessment with a 1988 CCHSP and client questionnaires. When we questioned the applicability of the 1988 data, both DCA and grantee officials agreed that it was outdated and, therefore, not reliable for determining FY 1995 community needs. We were unable to determine when and by whom the questionnaires were prepared. Many appeared to be very old and none were summarized or quantified to enable the grantee to draw meaningful conclusions. When we discussed this with grantee officials, we were advised that, although some consideration was given to the CCHSP and the questionnaires, the grantee's senior staff ultimately relied on their own experience in deciding what community needs should be included in the application. The Acting Executive Director furnished its Board of Directors with a memorandum in April 1996 which identified problems within the community and complained that there had been no increase in services for the last 20 years. Specifically, she stated that services were never expanded to include current social issues, such as, AIDS, teenage pregnancy, and drug and alcohol abuse. None of these issues were identified as a priority need in this grantee's FY 1995 application.
- ▶ During a site visit to another grantee, we were advised that no formal documentation existed to support the determination of community needs which was needed to develop program goals. Instead, grantee officials advised that needs were determined during various meetings of the senior staff. They could not provide evidence that these meetings actually took place.
- ▶ During a site visit to yet another grantee, we determined that the grantee used an outdated CCHSP, client questionnaires, and various other miscellaneous data to determine FY 1995 community needs. With the exception of the outdated CCHSP, the grantee was unable to support the other data purportedly used. We were advised that the individual who was responsible for keeping this information was no longer an employee and took the questionnaires and all other data when she departed.

In order for grantees to prepare an application that conforms with the State Plan, it is essential that they obtain current information on needs within the communities and determine if the current programs are effective. During our review at DCA and selected grantees, we were unable to determine that these requirements were met.

The absence of adequate documentation or the use of outdated data in determining community needs is contrary to the requirements of the Act and New Jersey's State Plan. The CSBG Statutory Assurances, as amended by Public Law 103-252, Human Services Amendments of 1994, provide that the chief executive officer shall certify that the state agrees to secure from each eligible entity a community action plan that includes a needs assessment and a description of outcome measures to be used to monitor success. Further, the FY 1995 CSBG Program State Application Package stipulates that needs assessments should include utilization of the applicable CCHSP and input from recipients of services, community leaders and other knowledgeable sources.

The DCA advised us that the veracity of the data contained in the FY 1995 grantee applications was never verified because they were not evaluated. Instead, they were used only to gather information necessary to process the grant awards. In a memorandum dated May 23, 1996 (see Appendix A), DCA officials advised us that the amount of funds awarded to each grantee was based on historic, predetermined proportions of New Jersey's total CSBG award and that this funding method was established by DHHS at the program's inception in 1982 and has never been changed. Because grantees know in advance the proportion of CSBG funds they will receive, this methodology does not require the grantees to compete for available funding. Accordingly, with funding levels assured and no technical evaluation by DCA, there is little incentive for grantees to update need assessments or to even measure program accomplishments.

Our findings raise fundamental questions as to whether the funds awarded to NJ CSBG grantees are being used in ways that most benefit the communities receiving services. In our opinion, the current method of funding grantees, without obtaining assurances that the programs are effective, provides no assurance that CSBG funds were awarded to programs with the most potential for reducing poverty.

### **Recommendation**

To meet the requirements of the Act and comply with the State Plan, we recommend that DCA establish a system that will fund only CSBG grantees who design programs with the most potential for reducing causes of poverty in communities being served. To accomplish this, DCA should implement controls to

accurately measure current program effectiveness and accomplishments in terms of community needs and then evaluate the results before awarding grantees CSBG funds in the future.

### ***DCA MONITORING AND EVALUATION***

The FY 1995 New Jersey CSBG State Plan and the Act provided that DCA conduct periodic programmatic monitoring of its grantees' programs. Our review disclosed that DCA did not have in place an effective monitoring program as required. Controls over the receipt and technical evaluation of the grantee progress reports were lax and there was no organized or formal monitoring protocol in place. Few on-site monitoring visits were made and documentation for those visits was inadequate to establish the nature, scope or results of the visits.

The grantees were required to submit quarterly progress reports which DCA should have utilized as a monitoring tool. These reports contain important programmatic information such as the number of eligible clients, the clients serviced during the applicable quarter and a description of the services provided. For 9 of the 27 grantees included in our review, only 60 percent of the required progress reports were submitted by grantees. Additionally, DCA's files contained no evidence that follow-up requests for missing reports were made. In a memorandum dated May 23, 1996 (see Appendix A), DCA officials acknowledged that progress reports were submitted sporadically and not properly tracked to ensure that all reports were received.

Through discussions with DCA officials, we also learned that DCA was not utilizing the progress reports for their intended purpose. When these reports were received, DCA officials should have reviewed the data to evaluate progress and to determine that actual project performance was consistent with the original grant application. Instead, the reports were not reviewed but merely placed in the grantee files maintained at DCA.

The quarterly progress reports as well as on-site programmatic monitoring reviews are supposed to assist DCA in verifying that CSBG grantees are providing a range of services which have an impact on the causes of poverty in their communities. Progress reports and monitoring visits are important because they provide mechanisms for evaluating the performance of CSBG programs, opportunities to provide technical assistance, and enable DCA to determine if grantee programs meet CSBG requirements and merit continued funding.

According to FY 1995 CSBG State Plan requirements, on-site monitoring visits were to be conducted by DCA field representatives on a regular basis. Field representatives were responsible for identifying potential and actual problems and aiding agencies in implementing corrective action. For the nine grantees reviewed, there was very little, if any, evidence of on-site monitoring visits. Additionally, DCA officials advised us that the same was true for grantees we did not review. In their May 23rd memorandum to us (see Appendix A ), DCA acknowledged that the monitoring of CSBG grantee programs was not performed on a regular basis, did not generate field reports, and that visits to grantees were usually not documented. They further advised that there were no formal policies and procedures established for monitoring grantees and that there was a shortage of personnel to conduct on-site reviews.

Without the periodic monitoring of grantees, DCA has no assurance that programmatic goals stated in the CSBG agreement were achieved or whether services were provided in a timely, efficient, and effective manner. The lack of monitoring also diminished the ability of DCA to provide effective oversight and to propose recommended changes or corrective actions where needed. Accordingly, there is no assurance that CSBG funds were being used in the most efficient manner possible to address poverty in the various New Jersey programs.

## **Recommendations**

We recommend that the DCA establish and implement formal policies to monitor and document the performance of grantees both through progress reports and, more importantly, through on-site monitoring visits. In addition, we recommend that immediate steps should be taken to evaluate programs currently in place and determine how effective grantees have been in accomplishing the goals and objectives of their programs.

### ***DCA COMMENTS***

In their comments dated May 7, 1997, DCA officials indicated their concurrence with the findings and recommendations. In their enclosure, DCA described steps they have taken or plan to take to improve the program. Within the response, DCA also raised a concern about fund distribution in light of the design of the Federal program. The full text of DCA's response is included in Appendix B of this report.

**OIG Response**

We are pleased to note that DCA concurred with our findings and recommendations. With respect to concerns noted about fund distribution, we encourage DCA officials to discuss them with Federal program officials and seek advice if action is needed to reallocate funds to other organizations with more promising programs to better address the causes of poverty under the CSBG program.

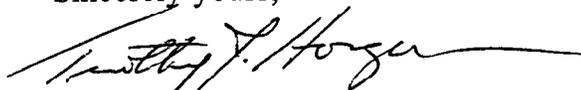
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Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter report. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Please refer to Common Identification Number A-02-96-02003 in all correspondence relating to this report.

Sincerely yours,



Timothy J. Horgan  
Regional Inspector General  
for Audit Services

Enclosures - Appendices

Direct Reply to HHS Action Official:

Director  
Division of Audit Resolution and Grants Oversight  
Room 702, Aerospace Building  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS  
DIVISION OF HOUSING AND COMMUNITY RESOURCES  
MEMORANDUM

TO: Tony Manno, Supervisory Auditor, U.S. Dept. of Health  
and Human Services, Office of Inspector General,  
Office of Audit

FROM: *WJC* William Cheezum, Administrator, CSBG  
Division of Housing and Community Resources

DATE: May 23, 1996

SUBJECT: Response to your request for additional information

As requested, here is the additional information discussed at the May 7, 1996 meeting to clarify information in our previous response.

Funding of Grants

The CSBG program administered by the State of New Jersey uses a funding method which was established when it was adopted from the CSA program at the Federal level. The funding method determines the amount allocated to each grantee will be the same historic percentage of the total block grant less 10% (5% administration, 5% discretionary). This funding method originated with the Federal Department of Health and Human Services. The Division's Fiscal Office has tried to ascertain the basis of this funding method with little success. Since the program is now approximately 14 to 15 years old there is little information on the origins of the funding method.

Application Process

The "RFP" is submitted annually from each agency for continuing funding under the CSBG program. This is not a true RFP and is actually an application for information necessary to complete a contract. The CSBG staff does not review applications to be ranked and continuing funding agencies do not compete for available funding.

Two (2) major factors have determined the criteria for this review process:

- 1) The narrow scope of who qualifies for funding under the CSBG Act. The entity must meet the qualifications of a CAP agency, the CSBG office cannot fund more than one agency in a designated CAP area and defunding of any existing entity is a long and difficult process with an extreme burden of proof being placed upon the CSBG office.
- 2) The funding method used by the CSBG office. Since the percentage of funding does not change, each grantee knows to level of funding before the application is submitted to the CSBG office.

The primary function of the application review is to ensure that all components necessary to complete a contract are included and to correct any errors before the contract process is started.

#### Discretionary Funds

Discretionary funds are allocated based on the submission of RFP's (5% of the CSBG award). The RFPs are reviewed and ranked since funding is not predetermined and more applications are received compared to the availability of funding.

#### Program Monitoring

The monitoring of agency programs has not been performed on a regular basis, did not generate field reports and visits to grantee agencies were not usually documented. The following factors contributed to the lack of program monitoring:

- 1) The previous agency contract periods were staggered throughout the fiscal year to match each agency fiscal year. This caused field staff in the CSBG office to review applications and process contracts yearround. Though field staff was responsible for monitoring the programs their function centered around getting the funds out to the agencies. With agency contracts coming due during various times of the year, the application and contract process was a full year function. This issue has been resolved by moving all grantees to an October 1 to September 30 funding cycle (Federal Fiscal Year).
- 2) The application submitted by agencies usually contained errors or was missing necessary information. This caused time delays and pushed more responsibilities on the field staff to correct problems. Some agency visits were made to collect information to process a contract or to get the agency to make the necessary corrections to their application. The new Results Based Contract (RBC) is more menu driven making it easier to complete and review. Also, all applications are due July 1 for the October 1 funding cycle. These changes will reduce the time effort needed in the contract processing by the field staff and allow staff more time for program monitoring. If applications are not completed or have major errors, they will be returned to the agencies. It is now the agencies responsibility to ensure that their application is correct and on time.
- 3) The contract used during the audit period is basically a budget driven contract. Program objectives in the contract were vague and did not provide sufficient guideline for indepth monitoring. For example, an agency established an auto body training facility to teach area youth painting and auto body work. The contract did not require the number of students trained, number of students who successfully completed the course, the number of students who received employment, etc. In implementing the RBC format, contracts will contain specific program funding objectives and outcome measures. The agencies determine the level of service (unit of service) to be provided for each program category. This improves the criteria used for monitoring. Also, the CSBG staff has developed a new monitoring tool that will be completed for each monitoring visit.



State of New Jersey  
DEPARTMENT OF COMMUNITY AFFAIRS  
101 SOUTH BROAD STREET  
CN-800  
TRENTON NJ 08625-0800

MAY 13 1997

RECEIVED

CHRISTINE TODD WHITMAN  
Governor

JANE M. KENNY  
Commissioner

May 7, 1997

Mr. Timothy J. Horgan  
Regional Inspector General  
for Audit Services  
U.S. Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services  
Region II  
Jacob K. Javits Federal Building  
26 Federal Plaza  
New York, New York 10278

Dear Mr. Horgan:

Attached is our response to the Review of the Administration of the Community Services Block Grant Program by the State of New Jersey, Department of Community Affairs during the period October 1, 1994 through September 30, 1995.

My staff and staff of the Division of Housing and Community Resources has reviewed the report and prepared the audit response. Based on our review, the Department is in concurrence with the findings and recommendations.

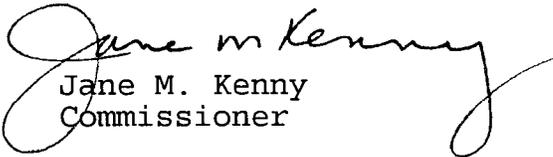
The concerns raised in the report were also concerns shared by the Division of Housing and Community Resources (DHCR) staff when the program was transferred from the Division of Community Resources and merged with the new Division of Housing and Community Resources in November of 1994. Based on these concerns the CSBG staff and DHCR management worked on strategies and systems to improve program monitoring and the effectiveness of services to clients and communities.



Mr. Timothy J. Horgan  
Page 2  
May 7, 1997

I want to thank Anthony L. Manno and his staff for their professionalism during the audit process. If you have any questions, please contact Anthony Cancro, Director, Division of Housing and Community Resources at (609) 633-6303, or John Flynn, Supervisor, of the Division's Office of Fiscal Monitoring at (609) 984-2136.

Sincerely,

  
Jane M. Kenny  
Commissioner

JMK:JPF:mm

9656R

Enclosure

c: Anthony Cancro  
Anthony L. Manno  
Anne Vidunas-Gladwell

**Audit Report Response – Reference No.: A-02-96-02003**

This is the response to the findings and recommendations in the CSBG audit report performed by the U.S. Department of Health and Human Services, Office of the Inspector General, for the period of October 1, 1994 to September 30, 1995 (Fiscal Year 1995). Listed below is a schedule of improvements implemented and improvements in progress.

**Improvements to date**

December 1994

**All CSBG grantees were converted to a Federal fiscal year basis in fiscal year 1996.**

Before this time, grantees had staggered fiscal years. Establishing simultaneous award periods simplified the reporting of statistical information to other government agencies and allowed the CSBG office and grantees the ability to properly plan for reviewing the applications and processing contracts. CSBG staff would not be burdened with year round contract processing and allowed more time for monitoring of grantee programs during the contract year.

May 1995

**Implementation of a new Results Based Contracting system (RBC).**

The old budget-based contract did not lend itself to tracking program results or providing a basis to monitor CSBG agencies. The RBC is based on standard desired outcomes for services and the associated cost to achieve those outcomes. The number of outcome units and cost is submitted to the CSBG office as part of the application by the grantee and included in the contract. The grantee sets its own goal for outcome units to be completed. This allows the CSBG staff to monitor the results and progress based on levels of service (outcome units) stated in the contract.

April 1996

**Implementation of a new quarterly report format.**

A new computerized quarterly report for payment reimbursement replaced the old quarterly report process and combined the fiscal report with the programmatic report. The grantee now has only one quarterly report to complete. To ensure that all quarterly reports are received, the grantees do not receive any further funds after the initial contract advance until each quarterly report is received and reviewed by the CSBG staff.

October 1996

**Development of a programmatic Field Monitoring Report.**

A new and more comprehensive Field Monitoring Report based upon the RBC was developed and implemented for fiscal year 1997. Program staff are now required to complete this report for each RBC monitoring visit to a grantee.

November 1996

**Developed an application review checklist.**

The checklist will be completed annually to document the review of each application. This is to ensure that all required documentation is attached, a needs assessment is completed and in compliance with the CSBG Act, and the application addresses the concerns of the community as listed in the needs assessment. The application review checklist will be implemented for use in the fiscal year 1998 application and contract process (July 1997).

**Improvements in Progress**

The Division is also addressing the need to revise the funding methodology to reflect changes in the demographics of poor and moderate income populations in New Jersey. This is being reviewed with input from the grantees to fairly distribute funding without penalizing any agency. This will not be an easy task based on the rights of the CAP grantees as provided for in the Act.

The Audit Report states that the funding methodology is responsible for the lax attitude and lack of competition among grantees. It is our contention that the funding methodology is not the only reason for any lax attitude of grantees or lack of competition, but rather products of the design of the program at the Federal level.

The CSBG Act gives local CSBG grantees broad power and control. Each funded agency is designated as an authorized CAP agency within a defined geographic area. Each geographic area has only one designated agency. A new authorized CAP agency can be selected only when the CAP agency in that defined geographic area is defunded, which is a lengthy and arduous process clearly defined in the federal CSBG law. This gives the original (i.e., federally authorized) CAP agency exclusive rights to the CSBG funding in each defined geographic area.

The Act also allows each funded agency a substantial appeal process should the grantee receive a reduction in its percentage of funding or if the state initiates an attempt to defund. This process includes a series of hearing levels, including ultimate appeal to the U.S. DHHS Secretary, and the grantee must continue to be funded throughout this entire process. Based on the Department's past experience, a decision to reduce funding or defund would be based on whether an agency was in compliance with the Act in providing services to its clients and the community, and on laws governing the conduct of the agency and its officers. To our knowledge, no decisions were based on changing the funding levels to give other agencies additional funding, e.g., allowing funding to be taken from Jersey City to allow other agencies more funding would probably not be supported by an administrative judge. It would be implied that the poor of Jersey City are not as important as the poor in other areas. When an agency has been defunded for cause, the funding has stayed in that geographic area (new CAP agency designated).

Unless there are revisions in the Act that allow the State of New Jersey more authority in the allocation of funding within the State, it will be very difficult to change the current funding methodology.